TX Holdings, Inc.
Form 10QSB
March 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-QSB

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________to ________

Commission File No. 0-32335

TX HOLDINGS, INC.

(Exact name of small business issuer as specified in its charter)

GEORGIA	58-2558702
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification. No.)

1701 North Judge Ely Blvd. #6420
Abilene, Texas 79601

(Address of principal)

(682) 286-3116

Issuer's telephone number

Formerly, R Wireless, Inc.

(Former name, former address and former fiscal year if changed from last report.)

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES |X| NO |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES |_| NO |X|

As of March 31, 2006, the registrant had a total of 19,399,934 shares of Common Stock outstanding.

As of March 20, 2007, there were 27,002,558 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): YES |_| NO |X|

TX HOLDINGS, INC.
FORM 10-QSB
FOR THE QUARTER ENDED MARCH 31, 2006

TABLE OF CONTENTS

TX HOLDINGS, INC,
A CORPORATION IN THE DEVELOPMENT STAGE
UNAUDITED CONSOLIDATED BALANCE SHEET
MARCH 31, 2006 AND SEPTEMBER 30, 2005

	3/31/2006	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,793	$
Prepaid expenses		
Total current assets	2,793	
Deposits for oil and gas property acquisition	3,000	
Property and Equipment, net	932	
Total Assets	$ 6,725	$
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 220,277	$
Advances from stockholder/officer	257,073	
Total current liabilities	$ 477,350	
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock: no par value, 1,000,000 shares authorized. No share outstanding at March 31, 2006	-	
Common stock: no par value, 50,000,000 shares authorized, 18,999,934 and 16,705,593 shares issued and outstanding at March 31, 2006 and September 30, 2005 , respectively	2,271,248	
Additional paid in capital-Authorized warrants	427,178	
Accumulated deficit	(1,803,507)	
Losses accumulated in the development stage	(1,365,544)	
Total stockholders' deficit	(470,625)	
Total liabilities and stockholders' deficit	$ 6,725	$

The accompanying notes are an integral part of the unaudited consolidated condensed financial sta

3

TX HOLDINGS, INC.
A CORPORATION IN THE DEVELOPMENT STAGE
UNAUDITED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2006 AND 2005 AND FOR THE PERIOD FROM
INCEPTION OF THE DEVELOPMENT STAGE, OCTOBER 1, 2004, TO MARCH 21, 2006

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	3/31/2006	3/31/2005	3/31/2006	3/31/
Revenue	$ -	$ -	$ -	$
Operating expenses, except for items shown				
separately below	17,605	3,638	17,607	25
Stock-based compensation	386,080		866,080	
Professional fees	20,548	2,689	20,548	4
Lease expense	-	-	-	
Depreciation expense	300	120	300	
Advertising expense	2,075	525	2,075	1
Total Operating Expense	426,608	6,972	906,610	30
Loss from operations	(426,608)	(6,972)	(906,610)	(30
Other Income and (expense):				
Dividend income	-	-	-	
Forbearance agreement costs	-	-	-	
Interest Expense	(4,572)	(947)	(9,144)	(1
Total other income and (expenses), net	(4,752)	(947)	(9,144)	(1
Loss from continuing operations	(431,180)	(7,919)	(915,754)	(32
Discontinued operations:				
Gain (loss) from disposal of				
discontinued business segment	-	-	-	108
Gain (loss) from discontinued operations	-	-	-	108
Net gain (loss)	(431,180)	(7,919)	(915,754)	76
Net loss per common share				
continuing operations	(0.02)	0.00	(0.05)	
discontinued operations	0.00	0.00	0.00	
Total	(0.02)	0.00	(0.05)	
Weighted average number of common shares				
outstanding-basic and diluted	19,079,934	15,793,651	18,115,670	15,793

The accompanying notes are an integral part of the unaudited consolidated condensed financial sta

TX HOLDINGS INC.
A CORPORATION IN THE DEVELOPMENT STAGE
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S DEFICIT
FOR THE SIX MONTHS ENDED MARCH 31, 2006

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT
	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCE AT SEPTEMBER 30, 2005	-	-	16,705,593	1,618,305	211,098	(1,803,507
Common stock issued for professional services	-	-	2,600,000	650,000	-	-
Common stock issued upon exercise of warrants	-	-	294,341	2,943	-	-
Net Loss	-	-	-	-	-	-
BALANCE AT DECEMBER MARCH 31, 2006	-	-	19,599,934	2,271,248	427,178	(1,803,507

The accompanying notes are an integral part of the unaudited consolidated financial statements

TX HOLDINGS, INC
A CORPORATION IN THE DEVELOPMENT STAGE
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2006 AND 2005 AND FOR THE PERIOD FROM
INCEPTION OF THE DEVELOPMENT STAGE, OCTOBER 1, 2004, TO MARCH 31, 2006

	SIX MONTHS ENDE	
	3/31/2006	3/3
CASH FLOWS FROM OPERATING ACTIVITIES:		

Net Gain (Loss)	$ (3,100,467)	$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Gain (Loss)	$ (915,754)	$
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss (gain) from discontinued operations	-	(
Warrants issued for forbearance agreement	-	
Depreciation expense	300	
Common stock issued for services	650,000	
Common stock issued to settle accounts payable	-	
Warrants issued for services	216,080	
Preferred stock issued for services	-	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	10,000	
Accounts payable and accrued liabilities	-	
Net cash used by continuing operations	(39,374)	
Net cash used by discontinued operations	-	
Net cash used by operating activities	(39,374)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(3,152)	
Net cash provided by investing activities	(3,152)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable to a bank	-	
Proceeds from sale of common stock	2,943	
Proceeds from stockholder/officer advances	42,376	
Net cash provided by financing activities	45,319	
Increase (Decrease) in cash and cash equivalents	2,793	
Cash and cash equivalents at beginning of year	-	
Cash and cash equivalent at March 31, 2006, and 2005	$ 2,793	$
Supplemental Disclosure of cash flow information:		
Cash paid for interest expense	$ 9,144	$
Cash paid for income taxes	-	

The accompanying notes are an integral part of the unaudited consolidated condensed financial sta

6

TX HOLDINGS, INC.
A CORPORATION IN THE DEVELOPMENT STAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

HISTORICAL BUSINESS ACTIVITIES

TX Holdings, Inc. (formerly R Wireless, Inc. and HOM Corporation) (the "Company"), incorporated May 4, 2000 in the State of Georgia, is transitioning from a holding company to an oil and gas exploration and production company. This transition began during 2005 and is discussed below in "CURRENT BUSINESS ACTIVITIES". Prior to May 26, 2005 the Company operated as a holding company for its formerly two wholly owned subsidiaries, Homes By Owners, Inc. ("Homes") and Direct Lending, Inc. ("Direct"). The Company received approval from the Secretary of State of Georgia for a certificate of merger between Homes and Freedom Homes, Inc. ("Freedom"). The Company remains the owner of 32.3% of the common shares of Homes. The remaining common shares of Homes are owned as follows: 63.1% by Jim Evans, owner of Freedom, and 4.6% by Robert S. Wilson, operating officer of Homes. In 2005 the company sold a 67.7% interest in Freedom Home Inc and wrote off its remaining 32.3% investment in Freedom because management is unable to demonstrate that its equity interest has any future value. Accordingly, at September 30, 2005 the Company recognized a gain from discontinued operations of $108,890.

Clarification of Freedom Homes was incorporated in the State of Georgia in December 1999 and operates in the real estate market as an advertiser of real estate listed as "for sale by owner" ("FSBO"). Homes has published a periodic magazine which contains FSBO and other advertising, and Homes offers an Internet web page that serves as an advertising venue for FSBO residential and commercial real estate in the Central Savannah River Area.

CURRENT BUSINESS ACTIVITIES

Management seeks to acquire producing oil and gas properties in and around Texas, Louisiana and Oklahoma that will define the operational holdings of The Company. Management has defined a number of criteria for acquisition which include:

- Wells should be currently Producing;
- Production should be broadly distributed across lease;
- Lease should show a 24 month payback (or better);
- Wells should show upside potential (proved undeveloped reserves of approximately 20%).

These criteria were developed in an effort to mitigate risk for TX Holdings, Inc. and its investors.

Management raised $1,240,000 in a Private Placement offering during the months of July through September 2006 to finance these acquisitions. The funds raised in 2006 were used to purchase an interest in three oil and gas fields located in Texas. Development of the fields began on November 1, 2006. The Company experienced substantial costs for engineering and other professional services during 2005 and 2006 in making the transition to an oil and gas exploration and production company. The Company plans to continue to use a combination of debt, and equity finance. Currently, management cannot provide any assurance regarding the successful development of acquired oil and gas fields, the completion of additional acquisitions or the continued ability to raise funds, however it is using its best efforts to complete field work on the fields acquired, acquire additional fields and finance the operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, CONTINUED

GOING CONCERN CONSIDERATIONS

The Company, with its prior subsidiaries, has suffered recurring losses while devoting substantially all of its efforts to raising capital, identifying and pursuing businesses opportunities and management currently believes its best opportunities are in the oil and gas business. The Company's total liabilities exceed its total assets and the Company's liquidity is substantially dependent on raising capital.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuing operations, realization of assets and liquidation of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent upon its ability to raise sufficient capital to implement a successful business plan and to generate profits sufficient to become financially viable. The consolidated financial statements do not include adjustments relating to the recoverability of recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include recoverability of long-lived and deferred tax assets, valuation of acquired in-process research and development, measurement of stock-based compensation, and the fair value of the Company's common stock. The Company bases its estimates on historical experience and various other assumptions that management believes to be reasonable under the circumstances. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

The Company uses the successful efforts method of accounting for oil and gas producing activities. Under this method, acquisition costs for proved and unproved properties are capitalized when incurred. Exploration costs, including geological and geophysical costs, the costs of carrying and retaining unproved properties and exploratory dry hole drilling costs, are expensed. Development costs, including the costs to drill and equip development wells and successful exploratory drilling costs to locate proved reserves are capitalized. Exploratory drilling costs are capitalized when incurred pending the determination of whether a well has found proved reserves. A determination of whether a well has found proved reserves is made shortly after drilling is completed. The determination is based on a process that relies on interpretations of available geologic, geophysic, and engineering data. If a well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well. If a well is determined to be unsuccessful, the capitalized drilling costs will be charged to expense in the period the determination is made. If an exploratory well requires a major capital expenditure before production can begin, the cost of drilling the exploratory well will continue to be carried as an asset pending determination of whether proved reserves have been found only as long as: i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made and ii) drilling of the additional exploratory wells is under way or firmly planned for the near future.

If drilling in the area is not under way or firmly planned, or if the well has not found a commercially producible quantity of reserves, the exploratory well is assumed to be impaired, and its costs are charged to expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, CONTINUED

PROPERTY AND EQUIPMENT, CONTINUED

In the absence of a determination as to whether the reserves that have been found can be classified as proved, the costs of drilling such an exploratory well is not carried as an asset for more than one year following completion of drilling. If, after that year has passed, a determination that proved reserves exist cannot be made, the well is assumed to be impaired, and its costs are charged to expense. Its costs can, however, continue to be capitalized if sufficient quantities of reserves are discovered in the well to justify its completion as a producing well and sufficient progress is made in assessing the reserves and the well's economic and operating feasibility.

The impairment of unamortized capital costs is measured at a lease level and is reduced to fair value if it is determined that the sum of expected future net cash flows is less than the net book value. ERHC determines if impairment has occurred through either adverse changes or as a result of the annual review of all fields.

Development costs of proved oil and gas properties, including estimated dismantlement, restoration and abandonment costs and acquisition costs, are depreciated and depleted on a field basis by the units-of-production method using proved developed and proved reserves, respectively. The costs of unproved oil and gas properties are generally combined and impaired over a period that is based on the average holding period for such properties and the Company's experience of successful drilling.

Other property and equipment are stated at cost. Major renewals and betterments are capitalized, while maintenance and repairs that do not materially improve or extend the useful lives of the assets are charged to expense as incurred. Costs relating to the initial design and implementation of the Internet web page have been capitalized while the costs of web page maintenance are expensed as incurred. Assets are depreciated over their estimated useful lives using the straight-line method. The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

REVENUE RECOGNITION

Currently the Company has no revenue from oil and gas operations. When the Company begins to receive revenue from oil and gas operations it will be recognized upon the delivery of the oil or gas to the purchaser of the oil or gas.

INCOME TAXES

Income taxes are estimated for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the financial reporting basis and income tax basis of assets and liabilities. Deferred tax assets and liabilities represent future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes may also be recognized for operating losses that are available to offset future taxable income. Deferred taxes are adjusted for changes in tax laws and tax rates when those changes are enacted.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible. Management considers the reversal of any deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, CONTINUED

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on reported net loss or accumulated deficit.

BASIC NET LOSS PER COMMON SHARE

Net loss per share is computed based on the guidance of SFAS No. 128, EARNINGS PER SHARE (SFAS 128), requiring companies to report both basic net loss per common share, which is computed using the weighted average number of common shares outstanding during the period, and diluted net loss per common share, which is computed using the weighted average number of common shares outstanding and the weighted average dilutive potential common shares outstanding using the treasury stock method. However, for all periods presented, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of common stock issuable upon the exercise of stock options and warrants and conversion of convertible preferred stock would be anti-dilutive.

The following table summarizes securities outstanding at each of the periods presented which were not included in the calculation of diluted net loss per share since their inclusion would be anti-dilutive.

	MARCH 31, 2006	SEPT. 30, 2005
Options issued to former owner	-	294,341
Warrants Issued for forbearance of payable	1,434,088	1,434,088
Warrants issued as compensation	800,000	-
		-
Total	2,234,088	1,728,429

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RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued FAS No. 123R, "Share-Based Payment." The statement replaces FAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The adoption of the statement will result in the expensing of the fair value of stock options granted to employees in the basic financial statements. The statement is effective for the years commencing after January 1, 2006 and management is currently assessing its impact.

The statement applies to new equity awards and to equity awards modified, repurchased, or cancelled after the effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the effective date shall be recognized as the requisite service is rendered on or after the effective date. The compensation cost for that portion of awards is based on the grant-date fair value of those awards as calculated from the pro forma disclosures under Statement No. 123. Changes to the grant-date fair value of equity awards granted before the effective date of this statement are precluded. The compensation cost for those earlier awards shall be attributed to periods beginning on or after the effective date of this statement using the attribution method that was used under Statement No. 123, except that the method of recognizing forfeitures only as they occur shall not be continued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, CONTINUED

RECENTLY ISSUED ACCOUNTING STANDARDS, CONTINUED

Any unearned or deferred compensation (contra-equity accounts) related to those earlier awards shall be eliminated against the appropriate equity accounts. Additionally, common stock purchased pursuant to stock options granted under our employee stock purchase plan is expensed based upon the fair market value of the stock option.

The statement also allows for a modified version of retrospective application to periods before the effective date. Modified retrospective application may be applied either (a) to all prior years for which Statement No. 123 was effective or (b) only to prior interim periods in the year of initial adoption. An entity that chooses to apply the modified retrospective method to all prior years for which Statement No. 123 was effective shall adjust financial statements for prior periods to give effect to the fair-value-based method of accounting for awards granted, modified, or settled in cash in fiscal years beginning after December 15, 1994, on a basis consistent with the pro forma disclosures required for those periods by Statement No. 123. Accordingly, compensation cost and the related tax effects will be recognized in those financial statements as though they had been accounted for under Statement No. 123. Changes to amounts as originally measured on a pro forma basis are precluded.

In December 2004, the FASB issued FAS No. 153, "Exchange of Nonmonetary Assets", which is an amendment to APB Opinion No. 29. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion, however, included certain exceptions to that principle. This statement amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of FAS No. 153 is not expected to have a material impact on our financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES--AN INTERPRETATION OF FAS 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, ACCOUNTING FOR INCOME TAXES. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is encouraged if the company has not yet issued financial statements, including interim financial statements, in the period Interpretation No. 48 is adopted. The Company is currently evaluating the impact the adoption of this interpretation will have on its consolidated results of operations and financial position.

Other accounting standards that have been issued or proposed by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

NOTE 2 - DEPOSITS FOR OIL AND GAS PROPERTY ACQUISITION

On November 1 2007, the Company entered into a purchase and sale agreement (the "Agreement") for a 60% interest in certain oil and gas properties located in Eastland County, Texas. Under the Agreement, the Company is obligated to pay a total of $7,200,000 for equipment, mineral leases, drilling and reworks, and various other categories of costs if all provisions of the agreement are met. At September 30, 2006, the Company had made payments totaling $253,000 to the seller and those payments are presented as deposits for oil and gas property acquisition in the accompanying balance sheet.

NOTE 3 - RESTATEMENT

The Company previously filed its March 31, 2005 financial statements without review and those financial statements included errors in the application of accounting principles generally accepted in the United States. Following is an analysis errors and the effect on the financial statements: for the six months ended March 31, 2005:

	SIX MONTHS ENDED MARCH 31, 2005		
	AS ORIGINALLY FILED	RESTATEMENT	AS RE
Total operating expenses	$ 30,653	$ --	$
Loss from Operations	(30,653)	--	
Total other income (and expenses), net	(1,915)	--	
Loss from continuing operations	(32,568)	--	
Discontinued Operations			
Gain (loss) from disposal of discontinued business segment	--	108,892	
Gain from discontinued operations	--	108,892	
Net income (Loss)	$ (32,568)	$ 899,731	$
Net Gain (loss) per common share - basic and diluted			
Continuing operations	$ (0.00)	$ (0.00)	
Discontinued operations	$ 0.00	$ 0.01	
Total	$ (0.00)	$ 0.01	

(A) To properly recognize the gain upon sale of a majority interest in Homes. The adjustment eliminates the negative investment as a result of the sale.

12

TX HOLDINGS, INC.
A CORPORATION IN THE DEVELOPMENT STAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2006 and September 30, 2005

	LIFE YEARS	2006	2005

Deposits for oil and gas property acquisition		$ 3,000	$
Furniture and office equipment	3-5 years	2,552	
Total		5,552	
Less accumulated depreciation, depletion and amortization		(1,620)	(
		3,932	

Depreciation expense of $300 and $480 was recognized during the six months ended March 31, 2006 and the year ended September 30 2005, respectively. At September 30, 2006, the Company has no proven oil and gas properties and, accordingly, there is no amortization of oil and gas properties during the six months ended March 31, 2006.

NOTE 5 - DISCONTINUED OPERATIONS

In 2005 the company sold a 67.7% interest in Freedom Home Inc and wrote off its remaining 32.3% investment in Freedom because management is unable to demonstrate that its equity interest has any future value. Accordingly, at September 30, 2005 the Company recognized a gain from discontinued operations of $108,890.

NOTE 6 - INCOME TAXES

The tax effects of temporary differences that give rise to deferred taxes are as follows at September 30, 2006 and 2005:

	2006	2005
DEFERRED TAX ASSETS:		
Net operating losses	$ 591,580	$ 41
Accrued wages	-	1
Valuation allowance	(591,480)	(43
Total deferred tax assets	100	
DEFERRED TAX LIABILITIES:		
Basis of property and equipment	100	
Net deferred tax asset	$ -	$

The Company has tax net operating loss carryforwards totaling approximately $1,740,000, expiring in 2018 through 2026. Approximately $1,200,000 of net operating losses was incurred prior to December 12, 2002 at which date MA&N acquired 51% of the Company and are consequently subject to certain limitation described in section 382 of the Internal Revenue Code. The Company estimates that, due to the limitations and expiration dates, only $424,000 of the net operating losses incurred prior to December 12, 2002 will be available to offset future taxable income.

TX HOLDINGS, INC.
A CORPORATION IN THE DEVELOPMENT STAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - INCOME TAXES, CONTINUED

Net operating losses after December 12, 2002 through September 30, 2005 were approximately $1,316,000. The total net operating losses available to the Company to offset future taxable income is approximately $1,740,000. Following is a reconciliation of the tax benefit at the federal statutory rate to the amount reported in the statement of operations:

	2006		2005	
	AMOUNT	PERCENT	AMOUNT	P
Benefit for income tax at federal statutory rate	$ 1,705,344	34 %	$ 115,906	
Change in valuation allowance	(160,758)	(3)	(67,555)	
Non-taxable gain from discontinued operations	-	-	37,022	
Non-deductible stock-based compensation	(1,544,586)	(31)	(85,373)	
	$ -	- %	$ -	

There were no income taxes due or receivable from operations for the years ended September 30, 2006 and 2005, and the Company's reported benefit for income taxes differs from the amount computed by applying statutory tax rates to loss before income taxes due to changes in the valuation allowance for financial reporting purposes.

NOTE 7 - STOCKHOLDERS' EQUITY

PREFERRED STOCK

In May 2006 an employment agreement was entered into with Mr. Neuhaus the president, CEO and chairman of the Board. The agreement provides that Mr. Neuhaus shall be compensated at the rate of $25,000 per month plus bonus based on oil and gas production. In addition the employment agreement provides to Mr. Neuhaus 1,000 shares of preferred stock with no rights of conversion to common stock. The preferred stock documents provide Mr. Neuhaus with voting rights equivalent to 50% of the common shares of issued by company. During the fiscal year 2006 Mr. Neuhaus waived his salary; however, the preferred stock he was issued was valued at $1,018,000 due to the fact that the shares give Mr. Neuhaus complete control over every decision made by the Company.

COMMON STOCK

During the years ended September 30, 2006 and 2005, the Company issued Common stock to raise capital, compensate employees and professionals, and to settle liabilities. Following is a description of stock issuances in 2006 and 2005:

On May 11, 2005 Company issued 100,000 shares of common stock of the Company to Frank Shafer. The shares were issued as payment of $12,000 in fees for past and future advisory services provided to the Company in relation to financial aspects of the Company's plans for expansion, acquisitions, and business opportunities. On April 18, 2006, June 9, 2006 and July 31, 2006, Frank Shafer received additional shares of 100,000, 20,000 and 300,000, respectively, for his services. The shares issued to Frank Shaffer during the years ended September 30, 2006 and 2005 were valued at $338,400 and $12,000, respectively.

NOTE 7 - STOCKHOLDERS' EQUITY, CONTINUED

COMMON STOCK, CONTINUED

On July 1, 2005, the Company authorized the issuance of 350,000 shares of TX Holdings common stock to Ned Baramov for services, valued at $28,000, in relation to the preparation of SEC filings. Mr. Baramov's role included assisting the Company in record keeping, accounting and data management.

On August 5, 2005, 461,942 shares of TX Holdings common stock were issued to David R. Baker, 361,942 representing settlement of $36,194 of legal fees and expenses of Haskell Slaughter Young & Rediker, LLC that were due to Mr. Baker (the issuance being 3,000 shares less than required, which additional shares will be issued in due course) and 100,000 shares representing an accountable retainer valued at $10,000 for future services and expenses of Haskell Slaughter Young & Rediker, LLC in assisting the Company (through Mr. Baker) in bringing all required SEC filings up to date. Mr. Baker is an accredited investor. Such services exceeding $10,000 in value have been performed.

On October 19, 2005, the Company issued 2,000,000 shares of its common stock to Darren Bloom as his compensation in the role of, CFO, Secretary - Treasurer. The Company has filed suit against Mr. Bloom for the return of the shares for breach of contract. The shares were issued pursuant to a three year employment contract which Mr. Bloom only served for 9 months.

On February 22, 2006, the company issued 200,000 shares of common stock to The Research Works for consulting services, valued at $70,000.

On March 1, 2006 the Company entered into a contract with Global Investment Holdings, LLC ("Global"). Global acts as a consultant and provides advice in the areas of paper-based stock and internet-based stock information publishers who are in compliance with the federal securities laws, etc. For their services, Global will receive 400,000 restricted shares of common stock each month for a period of six months commencing March 1, 2006. The Company used the services of Global for seven months in 2006 and issued Global a total of 1,600,000 shares in 2006 with a value of $1,300,000. An additional 1,220,000 shares were issued to Global subsequent to September 30, 2006, with a value of $830,000. The liability for the services performed for which shares were not issued in 2006 is presented as accrued stock-based compensation in the accompanying balance sheet.

On March 14, 2006, the company issued 400,000 shares of common stock to Security Pacific Holdings LLC for consulting services, valued at $100,000.

During May 2006 the Company entered into a Private Placement Agreement with Brill Securities, Inc. to act as a financial advisor for the private placement of shares of common stock of TX Holdings. Pursuant to the Private Placement Memorandum $1,240,000 of units were placed. The units contained an aggregate of 4,133,324 shares of the Company's common stock and 4,133,324 common stock purchase warrants. Each common stock purchase warrant is exercisable for a period of two years at an exercise price of $.50 per share. In connection with the offering, the Company paid a placement fee of $70,500 in cash. In addition, the placing agent was issued warrants to purchase 235,000 shares of common stock on the same terms and conditions as the investors. The net proceeds of the offering will be used by the Company to purchase necessary equipment to upgrade, replace, repair equipment on site at the fields we lease; to search, negotiate and acquire additional oil and gas leases; and general corporate purposes.

On June 9, 2006, the company issued 17,900 shares of common stock to Michael Pisani for consulting services in assisting with investor relations efforts, valued at $18,079.

NOTE 7 - STOCKHOLDERS' EQUITY, CONTINUED

COMMON STOCK, CONTINUED

On June 9, 2006, the Company issued 11,400 shares of common stock to Barker Design Inc. for website design services valued at $11,514.

STOCK OPTIONS AND WARRANTS

On December 12, 2002, the award of 5-year options to purchase 294,341 shares of TX Holdings Common Stock at $0.01 per share to Robert Wilson, then Chairman and Chief Executive Officer of the Company was authorized in lieu of $54,000 in compensation earned during calendar year 2001, and cash advances and accrued interest of $19,585 for a total of $73,585. The options were exercised in December 2005.

On July 21, 2005, a warrant to purchase 1,434,088 shares of TX Holdings stock ("Warrant") was issued to Baker, Johnston & Wilson LLC (now Baker & Johnston LLC ("B & J")) at an exercise price of $.15 a share. The Warrant provided that it expires June 30, 2010, was callable by the Company on or after February 1, 2006 if the per share market value of TX Holdings common stock has been at least 2 1/2 times the exercise price for 20 consecutive trading days. The Warrant was issued pursuant to a Forbearance Agreement between B & J and TX Holdings whereby B & J agreed not to seek collection of $215,113.20 owed to it by TX Holdings for legal services and expenses until January 21, 2007. The Warrant, if exercised, provides for a total exercise price of $215,113.30 ($.15 x 1,434,088), exactly equaling the indebtedness of the Company to B & J and the warrant may be exercised by application of indebtedness to the exercise price. B & J is an accredited investor. The sale was exempt pursuant to Section 4(2) of the Securities Act of 1933. On January 12, 2006 but effective November 1, 2005, (i) the Warrant was amended to expire December 31, 2010, (ii) to be callable only on or after August 1, 2006, and (iii) to be exercisable only on or after July 1, 2006 and the Forbearance Agreement was amended to provide for forbearance until

July 21, 2007. On or about May 1, 2006 this Warrant was assigned to David R. Baker as to 717,041 Warrants and to J. Brooke Johnston, Jr. as to 717,041 Warrants.

On March 28, 2006, a warrant to purchase 200,000 shares of common stock of TX Holdings, Inc. at an exercise price of $0.30 was issued to Michael A Cederstrom. The warrant expires on March 31, 2010 and is callable by

the Company on or after March 27, 2007 if the market value of TX Holding Stock is has been at least 2 1/2 times the exercise price for 20 consecutive trading days.

On March 28, 2006, a warrant to purchase 300,000 shares of TX Holdings, Inc. common stock at an exercise price of $0.30 was issued to Douglas C. Hewitt. The warrant expires on March 27, 2010 and is callable by the Company on or after March 31, 2007, if the market value of TX Holding Stock has been at least 2 1/2 times the exercise price for 20 consecutive trading days.

On March 28, 2006, a warrant to purchase 300,000 shares of common stock of TX Holdings, Inc. at an exercise price of $0.30 was issued to Bobby Fellers. The warrant expires on March 31, 2010 and is callable by the Company on or after March 31, 2007 if the market value of TX Holding Stock is has been at least 2 1/2 times the exercise price for 20 consecutive trading days.

In September 1, 2006, the Company entered into a consulting agreement with W.A. ("Bill") Alexander to provide technical support and advice in setting up the oil and gas operations. Mr. Alexander was granted warrants to purchase 250,000 shares of TX Holdings Common Stock at an exercise price of $0.30 per share. The warrants will expire on March 27, 2010.

Following is a summary of outstanding stock warrants at September 30, 2006 and 2005 and activity during the years then ended:

16

TX HOLDINGS, INC.
A CORPORATION IN THE DEVELOPMENT STAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - STOCKHOLDERS' EQUITY, CONTINUED

STOCK OPTIONS AND WARRANTS, CONTINUED

	NUMBER OF SHARES	EXERCISE PRICE
Warrants at September 30, 2004	294,341	$ 0.01
Warrants at September 30, 2004	294,341	$ 0.01
Issued	1,434,082	0.15
Warrants at September 30, 2005	1,728,423	0.01 - 0.15
Issued	5,418,324	0.30 - 0.50
Exercised	(294,341)	0.01

Warrants at September 30, 2006	6,852,406	$ 0.15 - 0.50

A summary of outstanding warrants at September 30, 2006, follows:

Expiration Date	NUMBER OF SHARES	EXERCISE PRICE
March 2007	800,000	$ 0.30
October 2008	4,368,324	0.50
March 2010	250,000	0.30
December 2010	1,434,082	0.15
Warrants at September 30, 2006	6,852,406	

NOTE 8 - SUBSEQUENT EVENTS

In May, 2006 an employment agreement was entered into with Mr. Neuhaus the president, CEO and chairman of the Board. The agreement provides that Mr. Neuhaus shall be compensated at the rate of $25,000 per month plus bonus based on oil and gas production. In addition the employment agreement provides to Mr. Neuhaus 1,000 shares of preferred stock with no rights of conversion to common stock. The preferred stock documents provide Mr. Neuhaus with voting rights equivalent to 50% of the common shares of issued by company. During the fiscal year 2006 Mr. Neuhaus waived his monthly salary.

On March 28, 2006 the Company entered into a Contract with Michael A. Cederstrom for services as the part time interim Chief Financial Officer. Mr. Cederstrom was granted warrants to purchase 200,000 shares of TX Holdings Company Stock at an exercise price of $0.30 per share. The warrants will expire on March 27, 2010. In addition, Mr. Cederstrom performs legal services for the Company through his law firm, Dexter and Dexter. The company pays to Dexter and Dexter the sum of $15,000 per month for legal representation.

On March 28, 2006 the Company entered into a consulting agreement with Douglas C. Hewitt to provide technical support and advice in setting up the oil and gas operations. Mr. Hewitt was granted warrants to purchase 300,000 shares of TX Holdings Common Stock at an exercise price of $0.30 per share. The warrants will expire on March 27, 2010.

On March 28, 2006 the Company entered into an agreement with Bobby Fellers to provide technical support and advice in setting up the oil and gas operations. Mr. Fellers was granted warrants to purchase 300,000 shares of TX Holdings Common Stock at an exercise price of $0.30 per share. The warrants will expire on March 27, 2010.

NOTE 8 - SUBSEQUENT EVENTS

On July 1, 2006 the Company entered into a consulting agreement with W.A. ("Bill") Alexander to provide technical support and advice in setting up the oil and gas operations. Mr. Alexander was granted warrants to purchase 250,000 shares of TX Holdings Common Stock at an exercise price of $0.30 per share. The warrants will expire on March 27, 2010.

On December 12, 2005, the Company issued 2,000,000 shares of the Company's Common Stock for the compensation of Darren Bloom, CFO, Secretary/Treasurer and member of the Board of Directors. The shares were issued pursuant to a three year employment contract which Mr. Bloom only served for 9 months. TX Holdings has filed suit against Mr. Bloom for the return of the shares for breach of contract.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

INTRODUCTION

The following discussion is intended to facilitate an understanding of our business and results of operations and includes forward-looking statements that reflect our plans, estimates and beliefs. It should be read in conjunction with our audited consolidated financial statements and the accompanying notes to the consolidated financial statements included herein. Our actual results could differ materially from those discussed in these forward-looking statements.

The Company has never earned a profit, and has incurred an accumulated deficit of $2,609,837 as of March 31, 2006. The acquisition of a controlling interest in the Company by MA&N has given the Company access to additional funds directly from MA&N, and the business plan developed by MA&N has enabled the Company to raise additional funds from third parties. As of September 30, 2006 the Company was able to raise $1,240,000 in equity. The Company has used these funds to purchase or place deposits on three oil and gas fields to begin its operations as an oil and gas exploration and production company. The Company believes it will begin oil production in 2007. Revenues derived from the planned production and sale of oil will be based on the evaluation and development of fields. If our development plan is successful, it is estimated it will take approximately one year to reach full production levels. During this initial ramp up period, the Company believes it will need to raise additional funds to fully develop its fields, purchase equipment and meet general administrative expenses. The Company may seek both debt and equity financing. The Company believes that it will have in excess of 100 wells in operation, each with estimated potential to produce 2 to 12 barrels ("bbls") per day once proper techniques are utilized. The Company believes it could be profitable at approximately 200 bbls of oil produced per day. The Company's success is dependent on if and how quickly it can reach these levels of production. The Company plans to use all revenues for general corporate purposes as well as, future expansion of its current oil producing properties and the acquisition of other oil and gas properties. There is no certainty that the Company can achieve profitable levels of production or that it will be able to raise additional capital through any means.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2006 COMPARED TO THREE MONTHS ENDED MARCH 31, 2005

REVENUES FROM OPERATIONS - Revenues for the three months ended March 31, 2006 and 2005 were zero. On December 5, 2004 the Company began to structure itself into an oil and gas production and exploration company. The Company acquired oil and gas leases and began development of oil and gas. The Company anticipates having revenue in early 2007.

RESULTS OF OPERATIONS, CONTINUED

EXPENSES FROM CONTINUING OPERATIONS - The Company incurred operating expenses of $426,608 for the three months ended March 31, 2006 an increase of $419,636 or 6,018% compared to $6,972 for the three months ended March 31, 2005. The increase in operating expenses occurred as the Company ramped-up in the initial phases of entering a new industry (oil and gas) and hiring the necessary professionals to assist in the selection process and development of potential oil and gas producing properties. During the three months ended March 31, 2006 stock-based compensation and professional fees accounted for $406,628 or 97% of the total expenses.

The stock-based compensation for March 31, 2006 include Investment Banker's fees of $120, 000 related to start-up financing initiatives.

NET INCOME/LOSS - For the quarter ended March 31, 2006 the Company had a net loss of $431,180 representing a negative variance of $423,261 when compared to a net loss of $7,919 for the quarter ended March 31, 2005. The negative variance is the result of higher stock-based compensation and professional fees, $403,939 and higher travel related expenses, $10,248.

SIX MONTHS ENDED MARCH 31, 2006 COMPARED TO SIX MONTHS ENDED MARCH 31, 2005

REVENUES FROM OPERATIONS - Revenues for the six months ended March 31, 2006 and 2005 were zero. On December 5, 2004 the Company began to structure itself into an oil and gas production and exploration company. The Company has acquired three oil and gas leases in the counties of Eastland and Callahan, Texas and began development of oil and gas. The Company anticipates having revenue in early 2007

EXPENSES FROM CONTINUING OPERATIONS - The Company incurred operating expenses of $906,610 for the six months ended March 31, 2006 an increase of $875,957 or 2,858% compared to $30,653 for the six months ended March 31, 2005. The increase in operating expenses occurred as the Company ramped-up in the initial phases of entering a new industry (oil and gas) and hiring the necessary professionals to assist in the selection process of potential oil and gas producing properties. During the six months ended March 31, 2005 stock-based compensation and professional fees accounted for $886,628 of expense, an increase of $882,446 compared to $4,182 for the six months ended March 31, 2005.

The professional fees for the six months ended March 31, 2006 include officers' compensation provided to Darren Bloom of $480,000 by the issuance of common stock to Mr. Bloom (See Part II Item 1, Legal Proceeding).

NET INCOME/LOSS - For the six months ended March 31, 2006 the Company had a net loss of $915,754 representing a negative variance of $992,078 when compared to a net gain of $76,324 for the six months ended March 31, 2005. In addition to higher stock based compensation and professional fees of $882,446 a major reason for the negative variance was a gain of $108,892 from discontinued operations recorded in the quarter ended March 31, 2005.

ITEM 3 CONTROLS AND PROCEDURES

EFFECTIVENESS OF DISCLOSURE AND PROCEDURES

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

ITEM 3 CONTROLS AND PROCEDURES, CONTINUED

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedure may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment and those criteria, management has concluded that the Company did not maintain effective internal control over financial reporting as of September 30, 2006 as a result of material weaknesses in internal controls surrounding the accounting for common stock and preferred stock issuances that resulted in significant adjustments to the financial statements and weakness in financial statement disclosures.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

PART II - OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Management is currently aware of one pending, past or present litigation involving the Company which management does not believe could have a material adverse effect on the Company. Management does not know of any outstanding bankruptcy or receivership issues and is not aware of any securities law violations other than the failure to file timely Form 10-KSB for 2005 and 2006, and timely Forms 10-QSB for the quarterly periods in 2005 and 2006. The Company has recently filed Form 10-KSB for fiscal year end 2005. The Forms 10-QSB for the quarterly periods in 2005 have been incorporated in the Form 10-KSB 2005 filing as provided in an agreement between the Company and the SEC.

TX Holdings has filed an action in Dade County, Florida in District Circuit #11, case number 06-14396CA04 entitled TX Holdings, Inc vs. Darren Bloom. The Company has brought an action against Mr. Bloom for breach of contract, damages and for the cancellation of common stock issued to Mr. Bloom pursuant to a three year employment contract. Mr. Bloom resigned from the Company on March 17, 2006 after serving only 9 months. Mr. Bloom currently owns 2,000,000 shares of TX Holdings common stock. Management believes that this matter can be resolved and will have no material effect on the Company operations. (The cancellation of shares, if granted would have a positive effect on Earnings Per Share).

Except as disclosed above, the Company has no material legal proceedings in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE TO SECURITY HOLDERS

None.

ITEM 5 OTHER INFORMATION

[Enter other information if any here]

ITEM 6 EXHIBITS

Exhibit 31.1	Section 302 Certification of Chief Executive Officer
Exhibit 31.2	Section 302 Certification of Chief Financial Officer
Exhibit 32.1	Section 906 Certification of Chief Executive Officer
Exhibit 32.2	Section 906 Certification of Chief Financial Officer

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TX HOLDINGS, INC.

By: /s/ Mark Neuhaus
Mark Neuhaus
Chief Executive Officer

Dated: March 26, 2007

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Mark Neuhaus March 26, 2007 ---------------- Mark Neuhaus	Chairman of the Board of Directors, and Chief Executive Officer
/s/ Michael A. Cederstrom March 26, 2007 ------------------------- Michael A. Cederstrom	Chief Financial Officer
/s/ Douglas C. Hewitt March 26, 2007 --------------------- Douglas C. Hewitt	Director
/s/ Bobby S. Fellers March 26, 2007 -------------------- Bobby S. Fellers	Director